

NOTICE OF PUBLIC HEARING CONCERNING POSSIBLE SALE OF COUNTY-OWNED ASSISTED LIVING FACILITY AT THE REQUEST OF STILLWATER HOSPITAL ASSOCIATION, INC.

I. BACKGROUND

Stillwater County, Montana (the "County") is the owner of the real property, buildings and improvements comprising the Stillwater Community Hospital, consisting of a hospital, nursing home and boarding home facilities and equipment (collectively the "Facilities"), which includes 21 assisted living units (the "Assisted Living Facility").

By Resolution No. 99-16 adopted July 1, 1999, the County authorized the issuance and sale of its Health Care and Boarding Home Facilities Revenue Bonds, Series 1999 (the "Bonds"), in the aggregate principal amount of \$1,933,000, pursuant to an Indenture of Trust dated July 1, 1999 (the "Indenture"), by and between the County and U.S. Bank & Trust National Association MT, as trustee (the "Trustee"), for purposes of financing improvements to the Assisted Living Facility, paying certain marketing and start-up costs, funding a debt service reserve account for the Bonds, and paying costs associated with the sale and issuance of the Bonds.

All of the Bonds were sold by private sale to Yellowstone Bank in Columbus, Montana (the "Bondholder"). As part of the transaction, the County entered into a lease of the Facilities with Stillwater Hospital Association, Inc. (the "Tenant"), pursuant to a Lease Agreement dated as of July 1, 1999 (the "Lease"). The Bonds were further secured by a Guaranty Agreement dated July 1, 1999 (the "Guaranty"), by and between Deaconess Billings Clinic, now known as Billings Clinic (the "Guarantor"), in favor of the Trustee, which Guaranty was secured by a Reimbursement Agreement dated July 1, 1999 (the "Reimbursement Agreement") by and between the County, the Tenant and the Guarantor, and a Collateral Assignment of Lease dated July 1, 1999 (the "Collateral Assignment"), from the Tenant to the Guarantor.

The Tenant now proposes to construct a new acute care hospital and walk-in clinic facility (the "New Hospital") on real property separate from the Facilities, which New Hospital would be operated independently of the Facilities and the hospital, clinic and related healthcare services would be discontinued at the Facilities.

The Stillwater Hospital Association, Inc. is proposing to finance the New Hospital. Said financing will be provided by a private lender, but the debt will be guaranteed, in whole or in part, by the United States Department of Housing and Urban Development (the "HUD"). It has been reported to this the Stillwater Board of County Commissioners, that as a condition for the HUD guaranty and the financing for the New Hospital, the Tenant (Stillwater Hospital Association) is required to divest itself of all obligations with respect to the Bonds, including all rights, liabilities and obligations under the Lease and Reimbursement Agreement.

As a result of the construction of the New Hospital, it has been proposed that the continued ownership of and operation of the Assisted Living Unit may no longer be necessary to the conduct of County business. Therefore, the proposal is that it may be in the best interest of the County and its citizens to sell the Assisted Living Facility. Stillwater Hospital Association,

INC has proposed that the sale proceeds will be applied to redeem the outstanding bonds and to facilitate the financing arrangements for and commencement of construction of the New Hospital. Billings Clinic is willing to enter into an Agreement guaranteeing the bonds will be redeemed in full.

The County is being asked to enter into an agreement with the Trustee, the Tenant, the Guarantor and the Bondholder relating to the sale of the Assisted Living Facility and the divestiture of the obligations of the Tenant with respect to the Lease, the Reimbursement Agreement and the Bonds. This is the subject matter requiring public participation and input.

II. REQUEST FOR PUBLIC COMMENT

THE BOARD OF THE COUNTY COMMISSIONERS OF STILLWATER COUNTY, MONTANA IS SEEKING PUBLIC COMMENT ON THE FOLLOWING:

Section 1. Authorization and Findings.

1.01. Authorization. Under Montana Code Annotated Title 7, Chapter 8, Part 22 (the “Act”), the Board has the power to sell any real or personal property belonging to the County, however acquired, that is not necessary to the conduct of County business or the preservation of its property. Real or personal property with a value in excess of \$2,500 must be sold at public auction at a site determined by the Board after notice of the sale by publication pursuant to Section 7-8-2212 of the Act. In addition, prior to the sale an appraisal of the property must be completed under Section 7-8-2213 of the Act.

1.02 Findings. The Board has determined that the construction of the New Hospital may eliminate the need to provide hospital, clinic and related healthcare services at the Facilities and such healthcare services would be transitioned to the New Hospital. As a result, only the Assisted Living Facility would remain as the operational part of the original Facilities. At this time, the County does not have the personnel or resources to adequately operate the Assisted Living Facility and believes it may be in the best interest of the County and its citizens to have the Assisted Living Facility owned and operated by a qualified provider of assisted living and related services. The Stillwater Board of County Commission is considering whether the Assisted Living Facility is necessary to the conduct of County business or the preservation of its property. The remainder of the Facilities is suitable for use by the County and can be utilized in connection with its governmental and administrative functions.

Section 2. Proposal for Creation of Condominium and Sale of Assisted Living Facility. In order to facilitate the process of selling the Assisted Living Unit, the Board is considering and investigating the proposal set forth below:

2.01. Creation of Unit. In order to create a parcel or unit of real property capable of conveyance in conjunction with a sale of the Assisted Living Facility and subject to Montana state land use planning laws and any applicable local ordinances or regulations, the Board would create a condominium under the Montana Unit Ownership Act, Mont. Code Ann. § 70-23-101 *et seq.* The condominium will consist of two units, with one unit consisting of the Assisted Living

Facility and the second unit consisting of the remainder of the Facilities. The condominium may require a zoning change and subdivision review.

III. APPRAISAL REPORT

The proposal of Rutherford & Associates Appraisals, Inc. (the "Appraiser"), for completion of an appraisal report for the Assisted Living Facility was accepted by the Board and the Appraiser has delivered an appraisal report dated March 31, 2011 (the "Appraisal"), determining, in the opinion of the Appraiser, that as of March 9, 2011, the fair market value of the Assisted Living Facility is \$1,280,000. An updated appraisal is required by law within 3 months of sale, so the fair market value is subject to change.

IV. CREATION OF CONDOMINIUM UNIT AND PROPOSED SALE OF COUNTY PROPERTY

Upon creation of the condominium, the Board will authorize the sale of the Assisted Living Facility pursuant to the Act and will adopt a resolution setting the site and date for the public auction and will direct publication of notice of such sale. All proceeds from the sale of the Assisted Living Facility will be applied to payment of the outstanding balance of the Bonds.

THE STILLWATER B.O.C.C. IS SOLICITING PUBLIC COMMENT TO DETERMINE WHETHER IT IS IN THE BEST INTEREST OF STILLWATER COUNTY TO CREATE A TWO UNIT COMDOMINIUM OF THE EXISTING HOSPITAL PROPERTY AND TO RELEASE THE BILLINGS CLINIC FROM ITS CONTINUING OBLIGAITION TO PAY OFF THE 1999 BOND. ADDITIONAL INFORMATION IS AVAILABLE TO INTERESTED PERSONS AT THE STILLWATER B.O.C.C. OFFICE.

THE PUBLIC HEARING WILL BE HELD ON THE 26th DAY OF JULY, 2011 AT 7:00 P.M. AT THE COLUMBUS CITY HALL CITY COURT ROOM, 408 EAST 1 AVE. NORTH, COLUMBUS, MONTANA.

ALL INTERESTED PERSONS ARE INVITED TO ATTEND. ANY COMMENTS OR QUESTIONS SHOULD BE DIRECTED TO THE COMMISSIONERS' OFFICE AT 322-8010 OR WRITE TO PO BOX 970 COLUMBUS, MT, 59019, /s/ STILLWATER COUNTY: DENNIS SHUPAK, CHAIRMAN,GERALD W. DELL, AND MAUREEN DAVEY, MEMBERS.